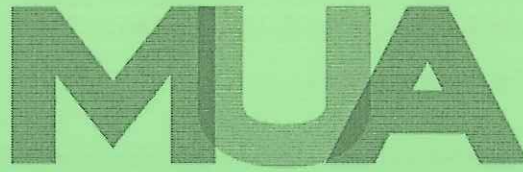


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POSTGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 504: SUPPLY CHAIN MANAGEMENT

DATE: 6TH DECEMBER 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

THE CASE OF TATA STEEL

The case on Tata Steel captures the success story of Tata Steel very effectively as to how a giant corporation, led by a world-class management team, reinvents itself and sets out on a growth path when faced with dramatic challenges from the environment. This analysis is aimed at summarizing some of the issues and the challenges Tata Steel is likely to face in the years ahead. An attempt has also been made to arrive at some broad strategies and initiatives that the company can implement. Since this analysis is based only on information provided in the case study and additional data available in the public domain – including the Tata Steel website itself—it is very likely that many of the recommended strategies have already received the attention of the company management.

Key Reinvention Strategies and Results

From the case study, it is evident that Mr B Muthuraman, MD, Tata Steel, and his management team have pulled off an astounding 'turnaround' victory by

- focussing on supply chain excellence
- moving from 'price' to 'value to customer'
- showing unwavering personal commitment
- aligning everyone—from worker to senior manager—with the 'greater cause' of survival and growth.

The results are evident in terms of financials, business growth, supply chain excellence, company morale, and international recognition. In 2004-'05, the top line has registered a growth of 32 per cent to reach Rs. 160 billion. Profit-before-tax and profit-after-tax have virtually doubled. Borrowings are down. Reserves and surplus are at an all-time high. Tata Steel is also achieving international recognition in the steel industry. Ratings by World Steel Dynamics, an independent rating agency,

show that Tata Steel is one of the lowest cost steel producers in the world. This is a remarkable achievement by a company that was in mortal danger of being overrun by globalization just a few years back.

The Road ahead: Issues, Challenges, and Growth Strategies

On the face of it, Tata Steel seems poised for growth. The company has successfully overcome the 'first wave' of challenges thrown at it by the opening up of the Indian economy. The market is growing, and demand for the company's products should be robust in the next 5-10 years. The company has drawn up aggressive plans for capacity expansion. It has also launched ASPIRE, the umbrella programme aimed at retaining organizational excellence. The website of Tata Steel features (as on April 26, 2006) a PowerPoint presentation entitled 'Presentation to fund managers and analysts on 12 Sep '05,' which is apparently what the company had presented to the financial community late last year in terms of future plans and strategies. This presentation highlights the following:

- Tata Steel's FY06 plan which covers steel production and productivity, improving raw material quality, and improving product mix.
- Tata Steel's future plan which essentially has two themes: "global leader and world-class," and "maintain low cost advantage."
- Medium-term growth plan which talks about expansions and new projects in Jamshedpur, Orissa, Jharkand, and Chattisgarh; operational footprint in international locations such as Iran, Bangladesh, and South Africa; and creating port infrastructure.
- Tata Steel's future strategy – the key elements of this strategy being
 - i. Strong base in India
 - ii. Facilities in select geographies
 - iii. Ownership and development of raw material sources
 - iv. Captive ports and dedicated logistics

v. reaching 20-25 mtpa by the year 2015

vi. branding.

As can be readily seen, the key flavour or the recurrent theme in the above presentation is 'Supply chain and operational excellence' with a global reach. While it is readily conceded that too much meaning cannot (and should not) be read into just one meeting with analysts, it is reasonable to assume that the presentation material broadly conveys the essence of the top management's strategic thinking at that point in time – subject to their having applied the 'filter' of confidentiality as to what can be made public. In view of this limitation (of the outsider not being privy to top management thinking), one is unable to get a clear idea of what Tata Steel intends to do in critical areas other than that of operations—such as 'customer,' 'people,' and 'culture.' We explore these important areas next.

Customer, People, and Culture

What are the likely challenges the company would face in the coming years in these areas? What proactive strategies can Tata Steel follow? We look at a few of them from the perspective of the top management:

- Moving from 'supply chain and operational excellence,' which has been the pivotal strategy in the past, to 'customer focus' as the theme for the future: The company has been able to show dramatic improvement in supply chain parameters such as productivity, specific consumption, raw material quality, and product mix in recent years. However, by the very nature of these processes, future improvement is unlikely to be as dramatic as in the past since all the low-hanging fruit would have been plucked. That being the case, further increases in profitability can mostly be achieved only from realization of greater 'value' from the customer. Inevitably, Tata Steel's current position as the lowest cost producer of steel compared to global competition will be challenged by other manufacturers in countries such as China and Korea; at that time, the company will need a superior 'menu' of products and services and value addition to retain its customers.

- Creating a balanced portfolio of key global customers from different end-user industries and different geographies: This is required in order to buffer the company (to a reasonable extent) against the cyclical nature of the steel business. This entails:

- i. a detailed analysis of the global market-place and mapping the competition

- ii. a good understanding of the customer needs in different countries

- iii. deciding on the 'global manufacturing footprint' for Tata Steel

- iv. understanding the global availability / reserves of raw material

- v. setting up a smooth, well-oiled logistics operation

- vi putting in place dedicated customer-facing teams in various geographies.

- Evolving a formal process to keep track of the changing needs – both products and services – of these customers, and linking them to R&D/product/service development initiatives: In effect, this means:

- > working in collaboration with the customer, to provide solutions—as against reacting to the customer needs for products

- > moving from 'transactions' to 'continuous relationship'

- > investing heavily in R &D and product development to keep up with the best in the world and become the leader one day.

- Developing an organizational culture, which is predominantly 'local' today, to one that is 'global': This transformation is likely to impose tremendous challenges such as:

- > overcoming a sense of complacency that can creep into the organizational mindset owing to visible recent successes (something the management team has already identified as a risk)

> being alive to the dramatically faster pace at which global competition moves, and recognizing that there are only two kinds of companies in the global arena – the quick and the dead

> ensuring that the Tata code of ethics and governance is held sacrosanct when faced with the relentless pressures for results in an increasingly hostile competitive environment

> learning to deal with different nationalities, cultures, and business practices in a manner that makes the customer (and the supplier) say, “Tata Steel is a good company to deal with”

> carrying the union leaders and workforce along on this journey, when the threat of survival is apparently no longer looming so large, at least in the short term.

- Meeting the organizational need for a large number of committed, motivated, world-class managers and leaders, i.e., developing a ‘leadership talent pool’: This is likely to be the biggest challenge facing the organization. While Tata Steel is justifiably held in great esteem in India for its solid, result-oriented leadership and management, the aggressive growth plans of the company will require a much larger pool of leadership talent to be developed continuously in the coming years. Bench strength will become critical. Individual career design programmes for ‘hipot’ managers need to be drawn up. Holistic HR strategies to attract, motivate and retain talent will be needed in order to supplement current strengths. The Indian economy is on a roll, and quality people are at a premium – be it the worker, graduate engineer or the manager. Global players like Posco and Mittal are moving in. Tata Steel needs to compete for talent with the rest of the industry. What are its USP’s in the ‘talent market,’ which will make talented people prefer Tata Steel over other potential employers? Money alone is unlikely to be sufficient—though significant pressures will be faced on this front also. This entire issue needs an internal discussion, followed by clear articulation of the HR strategy and policy to the existing and potential/new employees. Given Tata Steel’s global ambitions, the management team would very soon need to grapple with the need for cultural

diversity in its own ranks. Would all senior managers continue to be Indians, or would the team be a healthy cocktail of different nationalities and cultures? The experience of global corporations shows that the latter is the preferred model. 'Diversity' is a difficult subject which requires clarity of vision and persistence for success. Tata Steel has been blessed with charismatic world class leaders such as J J Irani and B Muthuraman. They have been able to make a lot of headway by the sheer force of their leadership capabilities. If a realistic assumption is made that such leaders are rare and difficult to replicate, Tata Steel would have to transition to a different leadership model—where there would be a solid team of senior leadership talent always in place, led by a global-minded CEO who is possibly the 'first amongst equals.' This requires tremendous investment in hiring, training, and retention as also a change in culture.

Conclusion

Tata Steel is a success story exemplifying organizational reinvention in its most basic form. The company now finds itself in a position to leverage its inherent strengths and become a global leader in the steel industry. From 'survival,' the theme has changed to 'managing global growth.' While technology and operational processes will continue to be important factors in this new and exciting phase in the company's journey, the 'people factor' will be the single most critical input for success.

Required:

- a) Explain how Tata Steel Company has institutionalised supply chain excellence as a tool for competitive. (8 marks)
- b) Tata Steel Company has used R &D and product development to keep up with the best in the world. Explain giving specific examples. (4marks)
- c) Discuss Tata Steel Company's future strategy. (10 Marks)
- d) Tata Steel Company is moving from 'operational excellence,' which has been the pivotal strategy in the past, to 'customer focus' as the theme for the future. Discuss. (8 Marks)

QUESTION TWO

- a) Explain the major sources of uncertainty that impact the value of supply chain decisions. (6 Marks)
- b) Discuss transportation related metrics that influence supply chain performance in a named organisation/industry or sector (9 marks)

QUESTION THREE

- a) Discuss five issues that must be addressed by a Supply Chain Analysis framework to facilitate the formulation and execution of a viable Supply Chain strategy. (10 marks)
- b) "The aggregate planner must make tradeoffs among capacity inventory and backlog costs". Discuss with reference to a specific industry/organisation or sector. (5 marks)

QUESTION FOUR

- a) Discuss the managerial actions to increase total supply chain profits and moderate the bullwhip effect. Give specific examples from a named industry/ organisation or sector. (8 marks)
- b) b) With reference to a specific industry / organisation or sector discuss the implementation plan of green supply chain management, outlining the challenges to be encountered. (7 marks)